

# An Analysis of USA Imports of Aluminium before and after Increases in US Tariffs in early 2018

## 1. Introduction

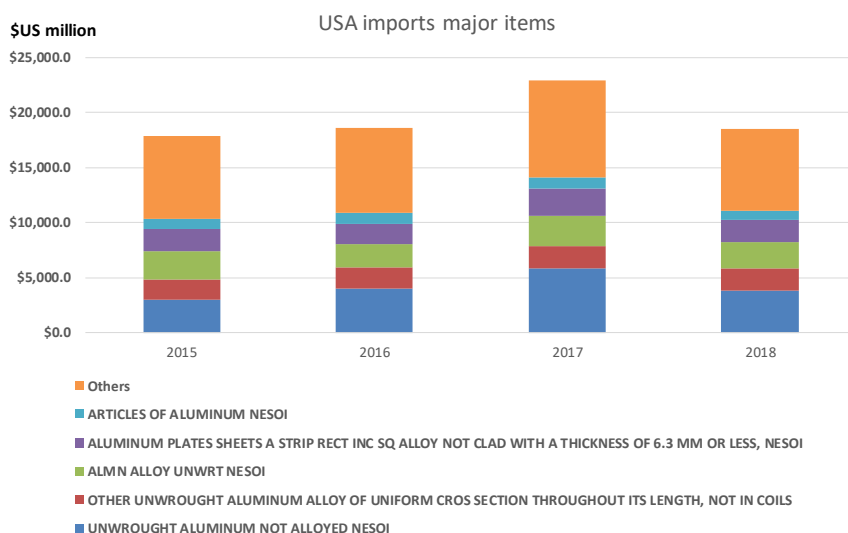
On March 23, 2018, the previously announced increases in US tariffs on steel and aluminium came into effect. The purpose of this paper is to examine the statistical evidence on the impact of these tariffs on aluminium import volumes into the US and on import prices.

## 2. An Analysis of US imports of top 5 aluminium import products

Charts 1 list the top 5 aluminium import products into the US. Imports grew strongly in 2017 up to \$US 23 billion mostly due to increased imports of unwrought aluminium either alloyed, or not alloyed. The top five products accounted for 61% of aluminium imports.

Chart 2 shows that the month to month movement of these top 5 products mirrors that of total aluminium imports. We focus this paper on an analysis of US imports of these 5 products.

**Chart 1. US aluminium imports by top 5 major products by year**



**Chart 2. US aluminium imports by top 5 major products and total, by month**

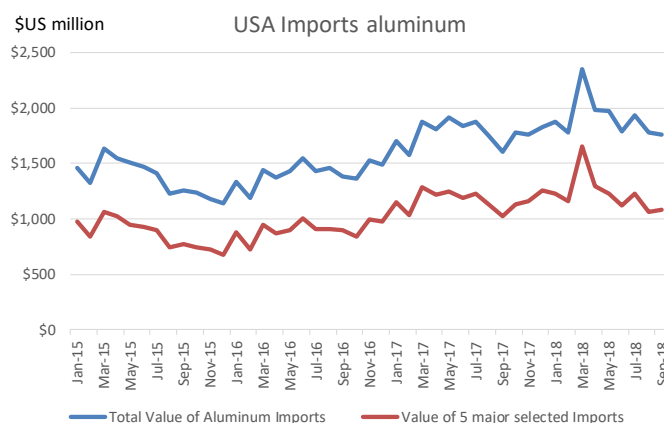


Chart 3 list US imports of the top 5 products by volume and average prices. Import volumes and average prices increased steadily from late 2015 until early 2017. Average prices continued increasing during 2017. The increased tariffs on aluminium commenced on March 23. Importers were forewarned and sharply increased volumes in that month (to avoid the tariff) from just over 420 thousand tonnes in February to 636 thousand tonnes in March. Since March imports have fallen to below 400 thousand tonnes a month. Over the May to September period, import volumes averaged 385 thousand tonnes which is 18.5 % below the same period in 2017. The higher tariff has resulted in a marked decline in import volumes.

**Chart 3. US imports by volumes and average prices for top 5 aluminium products**

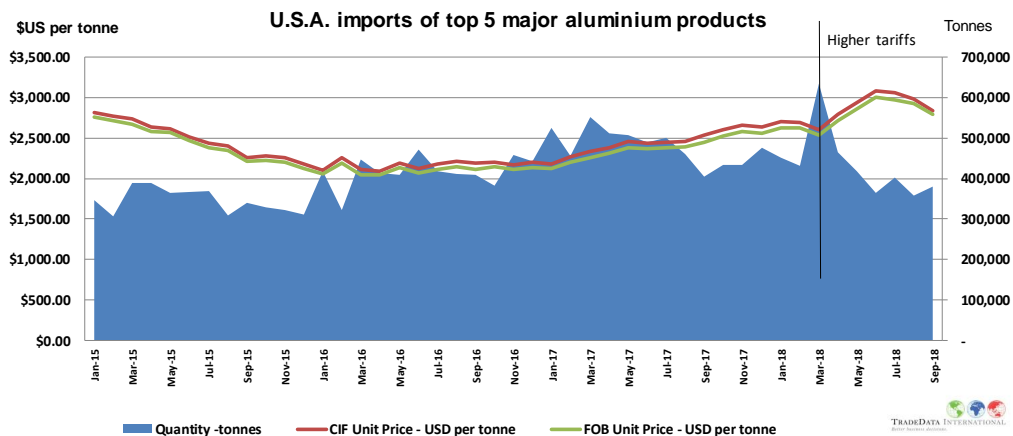


Chart 4 lists import volumes by month for the top 5 aluminium products. Unwrought aluminium not alloyed and Not Elsewhere Stated or Included (NESOI) dominate. The strong growth in imports is driven by growth in this item as is the spike in imports in March 2018, and the decline thereafter. By comparison the other four products are relatively stable.

**Chart 4. US aluminium imports top 5 products**

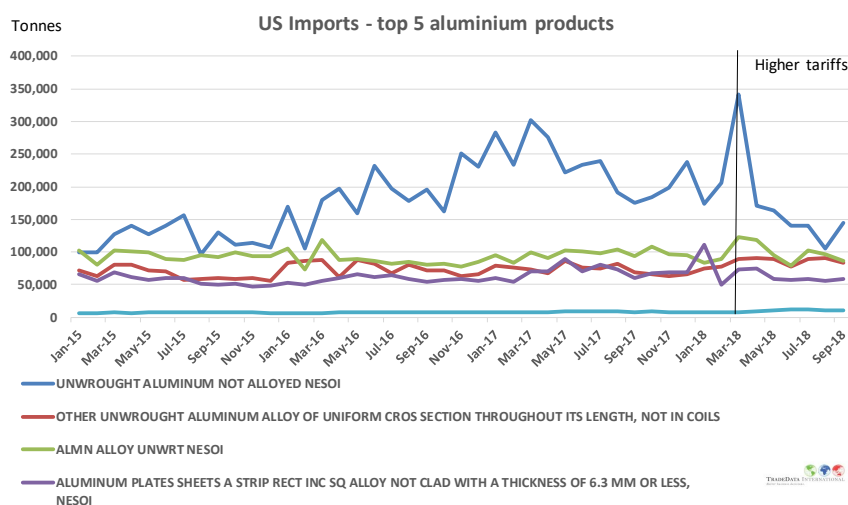


Chart 5 lists the major supply countries to the US. Canada has around 50% of the import market. Russia, the UAE and China between them have around 25%, and a host of other countries the remaining 25%. In March all the major supply countries increased their shipments. Since March, the

decline in import volumes is concentrated in imports sourced from Russia and China. Imports from these two countries in the 5 months to September 2018 have declined by 80% compared with the previous year. Imports from Canada and the UAE have declined by only 10%. Thus, the impact of the tariff has been a decline in import volumes and these declines are heavily concentrated in imports sourced from Russia and China.

**Chart 5. US imports top 5 products by supply countries**

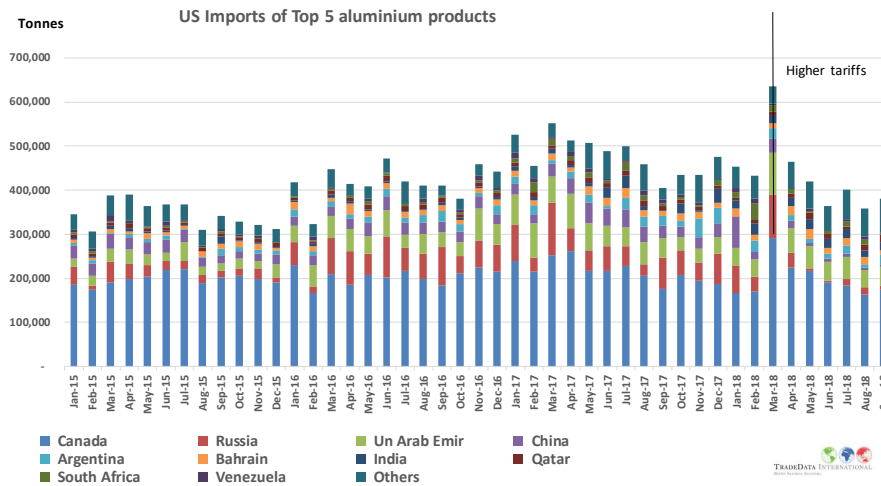
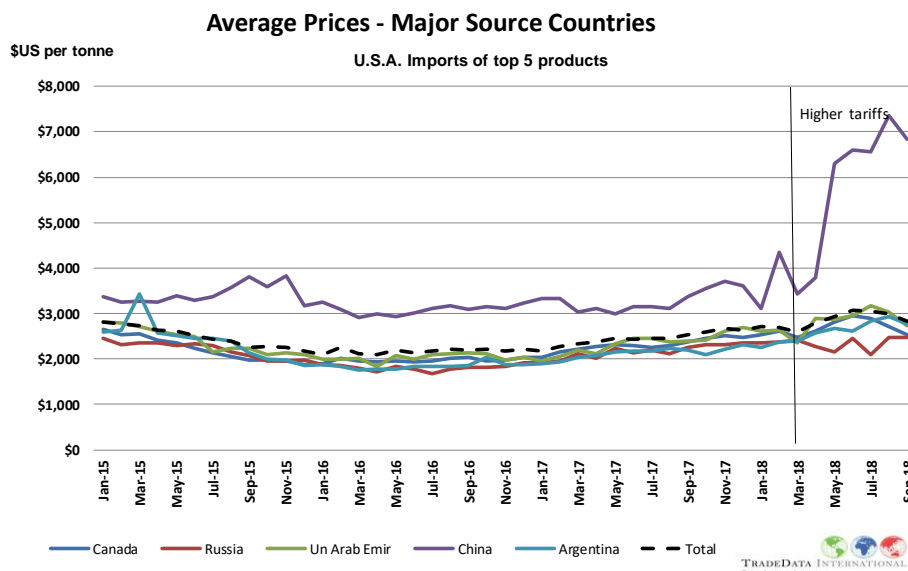


Chart 6 list average prices for the top 5 products sourced from the major supply countries. Average prices for all countries, except for China, continued their gradual increase. Average prices from China increased by more than 100% in 2018.

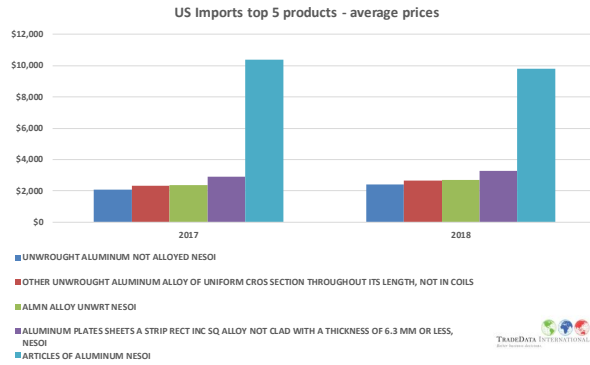
**Chart 6. US imports by volumes and average prices**



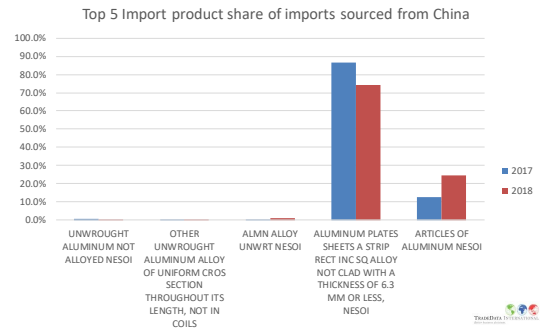
The large increase in average import prices from China is due to compositional changes in these imports rather than increases in prices of individual products. Chart 7 shows that average price of Articles of Aluminium Not Elsewhere Included or Stated (NEIOS) are 4 to 5 times higher than other

products. Whereas China imports have declined in 2018, the share of these higher priced imports has doubled thus driving up average prices from China.

**Chart 7. Top 5 import products average prices**



**Chart 8. Share of Top 5 products imported from China**



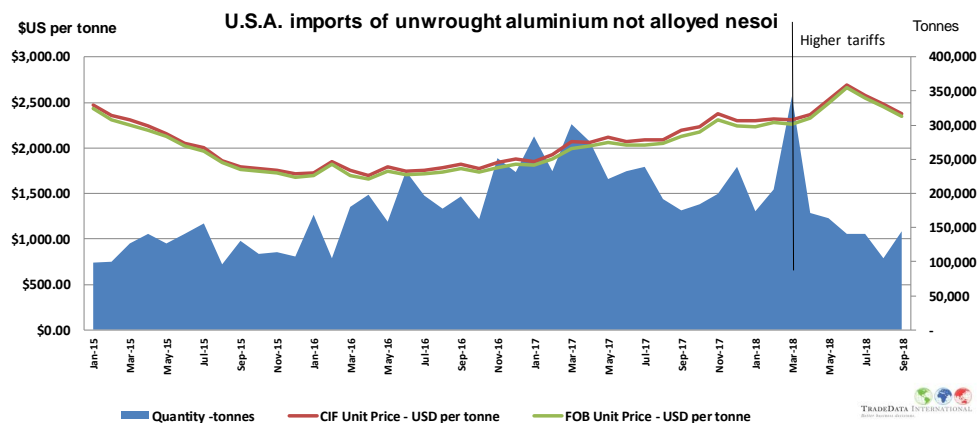
Thus, the overall impact of the tariff has been a marked decline in import volumes and these declines are heavily concentrated in imports sourced from Russia and China. The major supply country is Canada and imports from Canada have declined slightly compared with China and Russia.

### 3. An Analysis of US imports of Unwrought Aluminium Not Alloyed (NESOI)

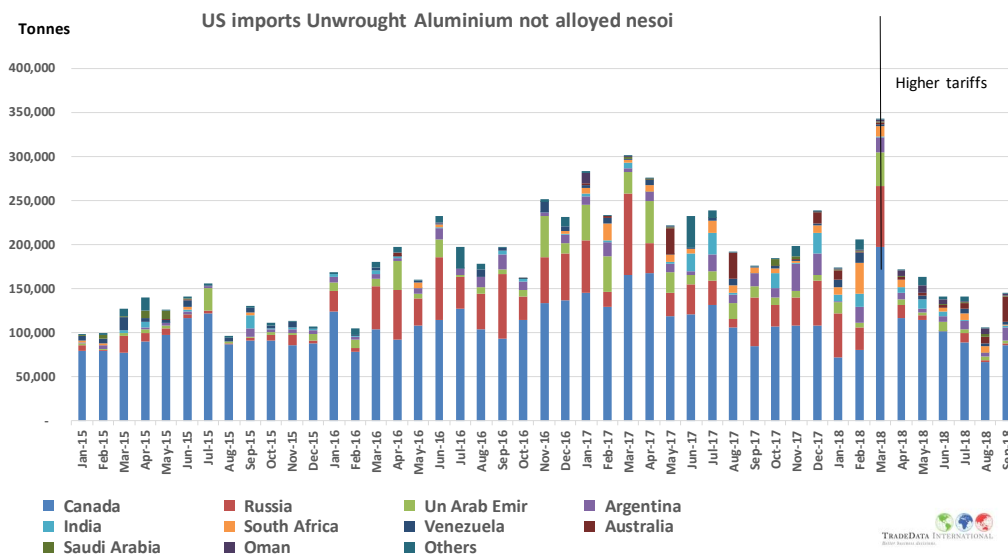
Unwrought, not alloyed NESOI aluminium dominate the top 5 products. Import volumes increased from around 100 thousand tonnes a month in early 2015 to over 250 thousand tonnes a month in early 2017. Import volumes receded to around 200 thousand tonnes a month in late 2017 and early 2018. With the announced tariff increase import volumes spiked to just over 340 thousand tonnes in March 2018, before declining thereafter to just above 100 thousand tonnes by August 2018. Import volumes increased again in September and it will be interesting to monitor volumes in coming months to see whether this is beginning of a return to previous levels.

Average prices have been on a steady increase since early 2016 and this continued for the first few months after the tariff introduction but have since declined back to pre-tariff increase price levels by September.

**Chart 9. US imports of aluminium, unwrought, not alloyed NESOI.**



**Chart 10. US imports of aluminium, unwrought, not alloyed NESOI by supply countries**



Imports from Canada dominate supply to the US. Russia and the UAE are also important supply countries. The strong growth in import volumes in 2017 is due to increased imports from Canada and Russia. The decline in imports post March is due to a collapse in imports from Russia and a smaller reduction in imports from Canada. Import volumes recovered somewhat in September due to increased imports from Canada and imports from Australia in that month. It will be interesting to see if these levels are maintained in coming months.

Charts 11 and 12 list a price histogram for US imports of unwrought aluminium, not alloyed. Canada is the major supplier in 2017 supplying at prices between \$US 2.00 and \$US 2.30 per kilogram with trade concentrated around \$US 2.10. Imports from Russia arrive at prices between \$US 1.90 and \$US 2.40 with trade concentrated around \$US 2.10 per kilogram and even more so at \$US 2.30 per kilogram. The UAE is a smaller supplier at lower prices around \$US 1.90 per kilogram.

**Chart 11. Price Histogram, 2017 US imports of aluminium, unwrought, not alloyed**

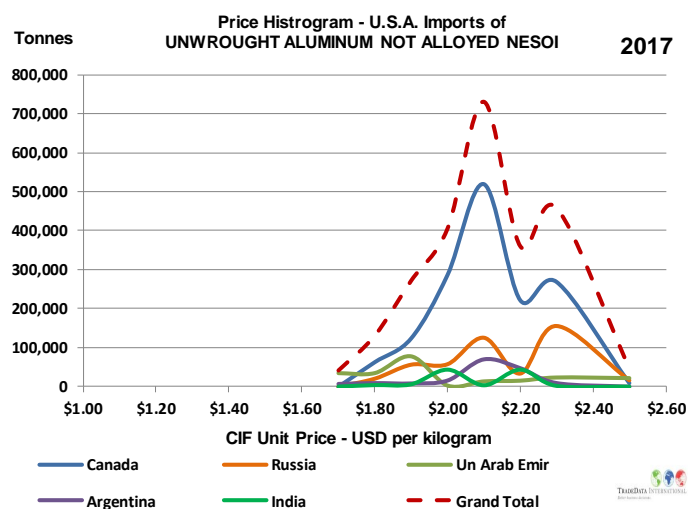


Chart 12 list the same price histogram for up to September 2018. Canada now has a higher share of the market with a decline in imports from Russia. Prices from Canada are now 10 or more percent higher in a range between around \$US 2.30 and \$US 2.80 per kilogram compared with \$US 2.00 to

\$US 2.30 in 2017. Prices of imports from Russia have also increased and are now concentrated around \$US 2.50 per kilogram.

**Chart 12. Price Histogram, 2018 US imports of aluminium, unwrought, not alloyed**

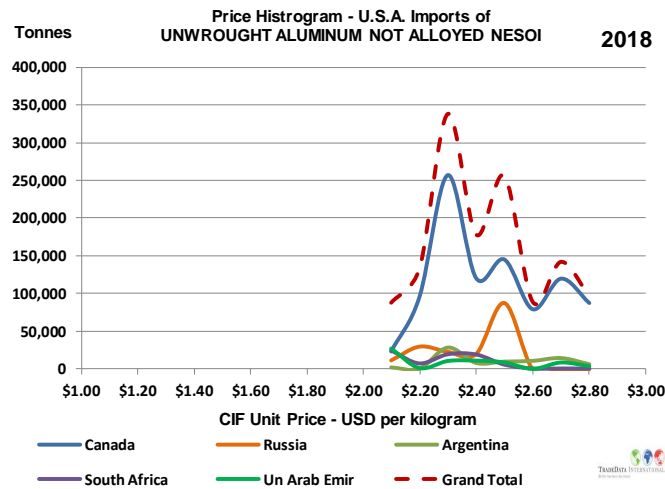


Chart 13 shows the impact of the aluminum tariff on duty paid by importers. Prior to April 2018 no duty was paid. Since then the duty paid has average 9.4% of the value of imports. Thus, the cost of the tariff to importers is around 9.4% of the purchase price and averaged \$US 23.4 million dollars a month in the four months to September.

**Chart 13. US imports of aluminium, unwrought, not alloyed – duty paid**

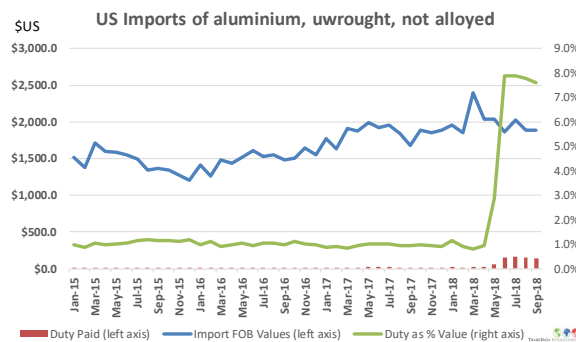
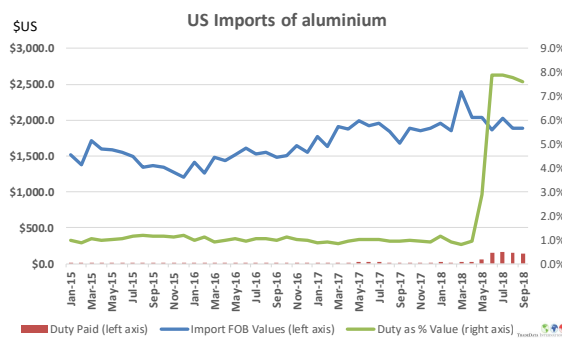


Chart 14 is like Chart 13 but is now lists total duty paid for all aluminum products. This shows a duty rate of just under 8% and averaged \$US 149 million a month in the four months to September.

**Chart 14. US imports of aluminium– duty paid**



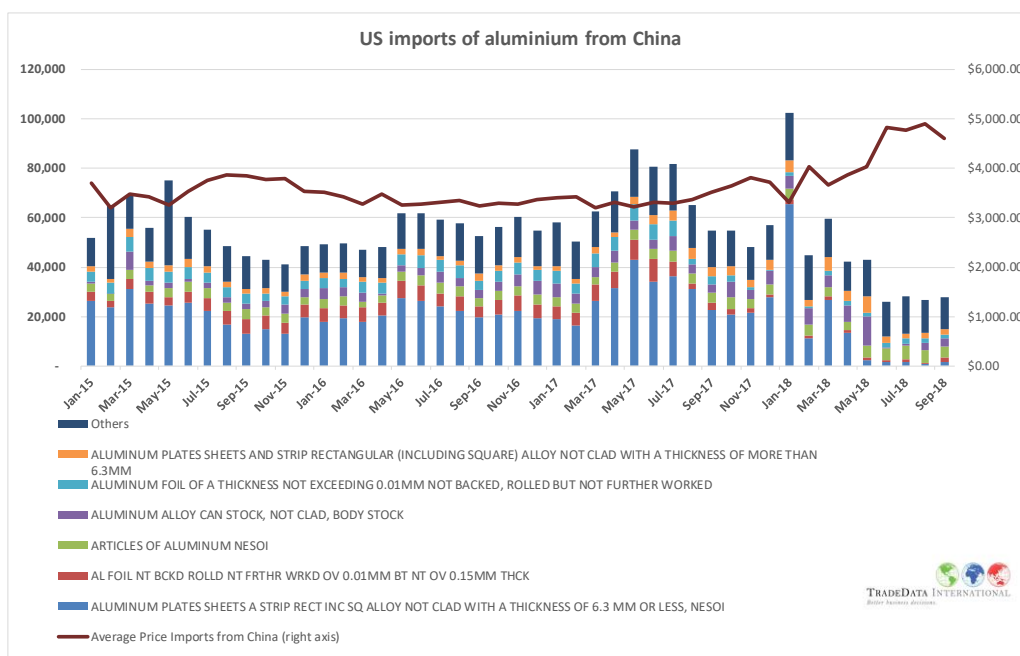
#### 4. An Analysis of US imports of aluminium from China and Russia

Chart 15 summarizes US imports of aluminium from China. Imports are heavily concentrated in aluminium plate which, prior to the introduction of the tariff, accounted for around 50% of imports. A range of finished or semi-finished aluminium products comprise the remaining imports – for example, aluminium foil, can stock, and other articles of aluminium. The introduction of the tariff resulted in:

- A large increase in imports of plate in March 2018 followed by near cessation of imports by mid-year
- In some recent months increased imports of can stock and of articles of aluminium NESOI.

In total, imports of aluminium from China in the 4 months to September 2018 are 39% of the level over the same four months to September 2017. Thus, imports have declined by 61%.

**Chart 15. US imports of aluminum from China – summary**

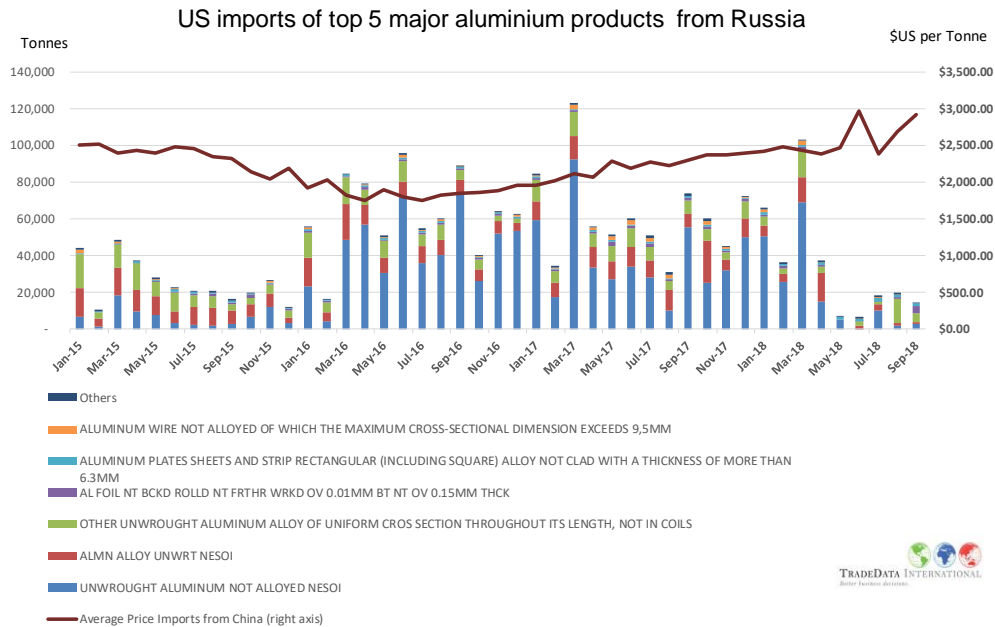


As outlined earlier the large increase in average import prices from China is due to compositional changes in these imports rather than increases in prices of individual products from China. The average price of Articles of Aluminium Not Elsewhere Included or Stated (NEIOS) are 4 to 5 times higher than other aluminium products and the share of these higher priced imports has doubled thus driving up total average prices from China.

US imports from Russia increased strongly in 2016 and these levels were maintained in 2017 and early 2018. This strong growth was mostly unwrought aluminium, not alloyed. Alloyed unwrought and other unwrought aluminium are also significant. The introduction of the tariff in March 2018 resulted in a surge in that month followed by a near cessation of imports by June. From June to September import volumes are at 28% of the levels over the same period in 2017. Thus, imports have declined by 72%.

Average import prices had been steadily increasing during 2016 and 2017. This has continued in 2018 but now are more volatile with the changing composition of products imports into the US from Russia.

**Chart 16. US imports of aluminum from Russia – summary**



## 5. Conclusions

The US imports a wide range of Aluminium products and Unwrought aluminium, not alloyed and Not Elsewhere Stated or Included (NESOI) dominate. Aluminium imports grew strongly in 2016 and into 2017. This growth is driven by growth in this item. Canada is the largest supplier to the US. Russia, the UAE and China are also important supply countries. The strong recent growth in import volumes is due to increased imports from Canada and Russia.

The introduction of tariffs in late March initially resulted in a spike in imports (to avoid the tariff) followed by a decline in import volumes and these declines are heavily concentrated in imports from Russia and China which have declined by 80%. Imports declines from Canada are only around 10%.

Another aspect of the tariff is that import prices from Canada, Russia and other countries have increased by 10 or more per cent. Associated with the tariff are the duties now payable. In the 4 months to September these amounted to just under 8% of the aluminium import value and averaged \$US 149 million a month.

The impact of the tariff introduction are lower import volumes and higher prices. Imports from China and Russia are particularly affected and much less so from Canada.

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